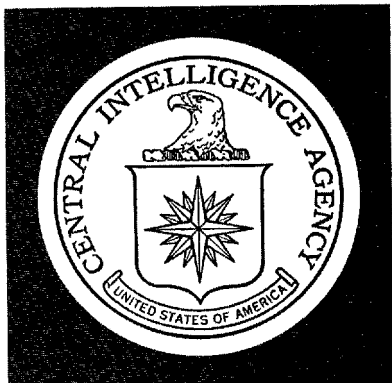


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State Department review completed

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South Vietnam: There is more evidence that the Communists intend to kick off a new round of offensive activity soon, but so far enemy initiatives remain limited to scattered harassing actions.

Several Communist shellings of allied military installations in III and IV Corps occurred on 12-13 December and an enemy force launched a ground probe and mortar attack on a US infantry field position south of Saigon.

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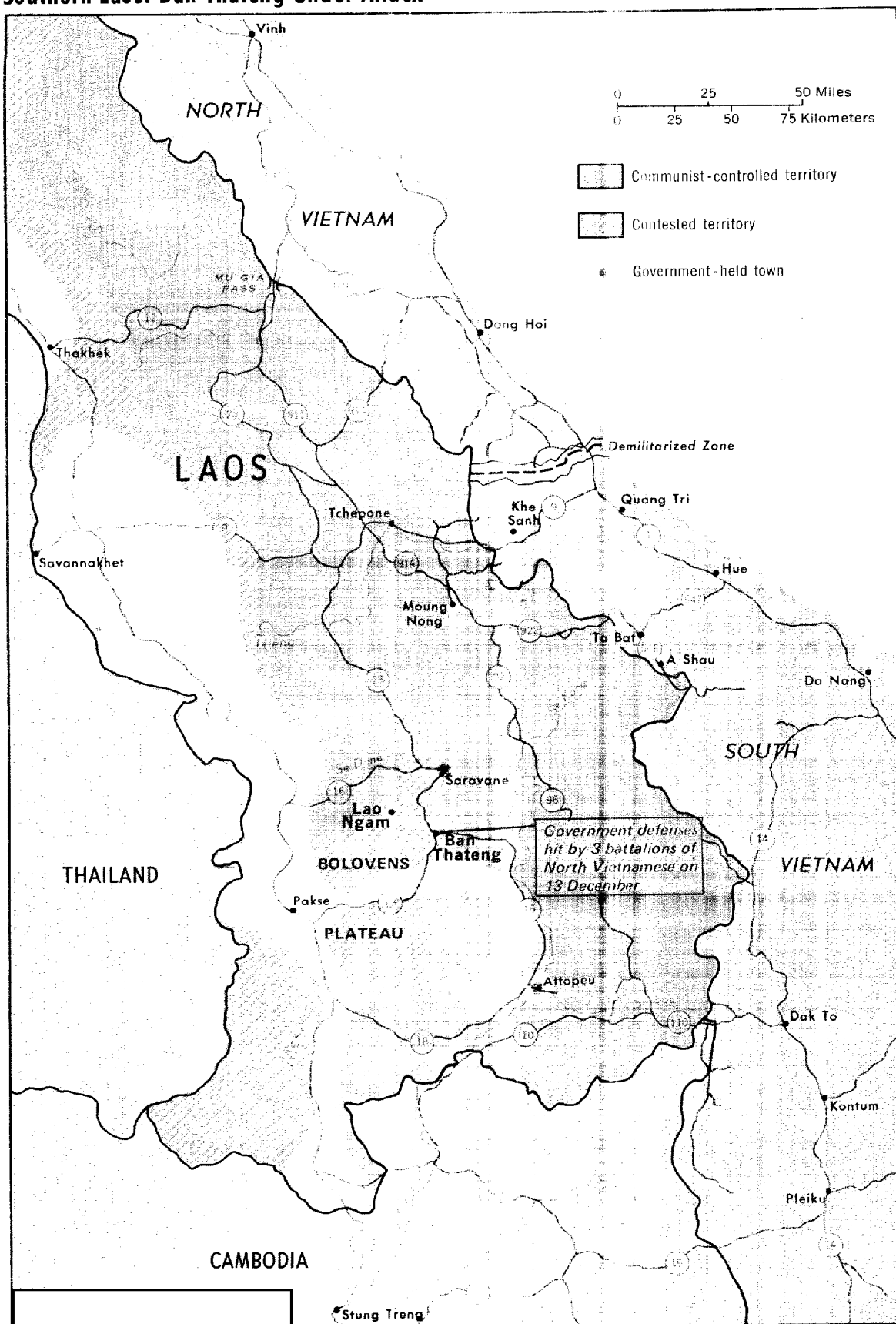
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# Southern Laos: Ban Thateng Under Attack



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Laos: The Communists are pressing their offensive in the Bolovens Plateau area.

On 13 December, the enemy launched the second heavy ground assault on the strategic government position at Ban Thateng since late November. With apparent disregard for casualties, a three-battalion North Vietnamese force drove government troops from two outlying defensive positions in the face of heavy air strikes. At last report the enemy had taken the village itself, but government forces were holding the main base just south of Thateng.

The latest attack against Thateng appears to be the sharpest the enemy has made in the Bolovens area since early this year. It tends to support the statements of a North Vietnamese prisoner captured during the assault in November that the troops were told that North Vietnamese forces would take both Thateng and the provincial capital of Saravane in December.

The prisoner also claimed that the offensive--which apparently was being conducted with North Vietnamese troops long associated with Laos operations--was designed to protect the infiltration corridor.

The loss of Thateng would not only further weaken the government's tactical position in the Bolovens, but it would also come as a severe psychological blow at a time when the government is already questioning whether it ought to continue its efforts to hold the provincial capitals of Saravane and Attapeu.

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Brazil: Congressional defiance of President Costa e Silva and the military establishment has created a major government crisis and forced the President to institute severe repressive measures.

On 12 December the Chamber of Deputies refused by a wide margin to lift the immunity of opposition Deputy Marcio Moreira Alves so that he could be tried for a speech he made in Congress attacking the government and military. Top military leaders, who have committed their prestige to punishing the deputy, yesterday forced Costa e Silva to declare an Institutional Act suspending Congress for an undetermined period of time.

The military ministers had warned Costa e Silva some time ago that if Alves were not tried, military personnel might physically attack the deputy. The government has clamped on strict press and radio censorship, and has already seized issues of an important conservative newspaper.

Some moderate officers may well believe that this issue should never have reached crisis proportions, but now that the military's prestige is on the line, they will probably back the government's action. [Domestic and international reaction is likely to be highly condemnatory of this "dictatorial" process.] Costa e Silva had exhausted his legal options. His resort to extraconstitutional measures indicates the depth of his commitment to his military backers and the military's determination to hew to the goals of the revolution that brought them to power in 1964.

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Peru: General Montagne appears to be setting the stage for assuming the presidency when President Velasco retires from the army at the end of January.

25X1 [redacted] Montagne, who is the prime minister, minister of war, and the commander of the army, is transferring officers known to support Velasco to outlying districts and assigning officers he trusts to key posts in Lima. There has been considerable friction between the so-called moderate forces in the cabinet led by Montagne and the group of more radical and nationalistic colonels serving as advisers to President Velasco.

It remains to be seen what the Velasco group may try to do to counter Montagne's move. The highly nationalistic and anti-US tone of Velasco's speeches in recent weeks may be designed in part to gain additional support to head off any attempt to remove him from office. [redacted]

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Communist China: Circulation at local levels of a draft revised constitution for the Chinese Communist Party is a further indication that Peking intends to convene the ninth party congress within the next few months.

Diplomats in Peking have just obtained the full text of the draft that was worked out at the 12th plenum of the central committee in October. A "decision" of the plenum, attached to the draft, states that revisions are based on proposals by Mao and from various regions, departments, and masses. The draft is to be discussed at the local level and opinions are to be reported back shortly. The central committee may then amend the draft and submit it to the ninth party congress. As there will almost certainly be no major changes, this congress could be held early in 1969.

The new constitution is greatly condensed--down to 12 articles from 60--compared with the existing version and is much less precise. As expected, it enshrines Mao's thought, designates Lin Piao as his successor, and declares that class struggle will continue throughout the socialist period.

Some principal changes are that the probationary period for new party members has been dropped and admission of new members will not be subject to approval by mass meeting. These changes should make possible a rapid buildup of the new party. Procedures for dismissal from the party have also been simplified.

Party organizations at all levels will no longer go through the pretense of being elected, but will be "produced" by an unclear process termed "democratic consultation and election." This change may be intended to justify the extralegal destruction of the party apparatus in the past two years. As

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in the present constitution, party members who disagree with directives from above will be allowed to appeal to the central committee and its chairman. There is no longer, however, the requirement that, in the meantime, they obey the directives, a change that would seem to legalize insubordination.

According to the old constitution, the national party congress should meet every year and be re-elected every five years. The new one stipulates only that it meet every five years and leaves its term open-ended. The central committee, its politburo, and the standing committee of the politburo will be retained as the highest party bodies, but--as noted above--will be "produced", not elected. There will be only one vice chairman of the party--now Lin Piao--and there will no longer be alternate members of the central committee.

The new constitution reaffirms the party's dominant role in China's political structure through provisions that its central organs have the power to deal with the daily work of the party, government, and army.



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Czechoslovakia: Any moves toward decentralization of the economy are likely to come slowly despite Premier Cernik's recommendation that urgent measures be taken to rectify serious economic problems.

In his opening speech to the central committee plenum on Thursday, Cernik said that economic conditions are deteriorating. He cited increased inflationary pressures which resulted from wages rising faster than labor productivity and consumers' scare-buying since the intervention.

Cernik called for immediate measures to counter inflation. To increase production, he also urged the granting of some additional autonomy to industrial enterprises, but such moves are not likely to be pushed, in view of Soviet concern that the party keep control of economic as well as political affairs.

The plenum is expected to deal principally with immediate economic questions and probably will lay the groundwork for a later full-scale review of the economic reform program.

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Italy: The new government, headed by Christian Democratic leader Mariano Rumor, marks a slight shift to the left, particularly in domestic policy.

Formation of the cabinet is evidence of the determination of the major center-left parties to work for stability. Factional disputes within the parties and labor-student unrest continue, however, and will oblige the new coalition to move quickly to implement its program.

Especially notable is the appointment of a left-wing Christian Democrat, Fiorentino Sullo, to the Education Ministry and the replacement of Minister of Industry Andreotti, a perennial right-wing appointee, by a socialist, Mario Tanassi.

The new foreign minister, 77-year-old Pietro Nenni, is a strong advocate of European integration. His Socialist party opposed Italy's NATO ties in the 1950's but he has since supported membership as necessary for Italy's security. Premier Rumor has for some time advocated an increased role for Europe in the development of Latin America and may be particularly interested at this time because Italian Christian Democratic financing played a role in the recent election of Venezuela's President Rafael Caldera.

All Christian Democratic factions are represented in the new cabinet list, but the party's left wing has increased its number of posts at the expense of the right. Among the Socialists, three of the five factions, which control about 85 percent of the party's central committee membership, are included; the small farthest left factions have been omitted. Given this broad degree of factional representation, the prospects for the new government appear good, at least over the short term.

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Algeria: The Boumediene government has suspended bilateral negotiations on economic matters with both the USSR and France.

Algerian-Soviet negotiations under way in Algiers since mid-November to spell out the details of the commercial protocol signed in Moscow last July were broken off early this week. Two areas of friction contributed to the impasse. One involved the modalities of Algerian payment of the salaries of Soviet civilian technicians assisting in economic development. The Soviets refused to agree to the Algerian proposal that proceeds from Soviet wine purchases be used to pay the salaries. The second issue involved spare parts for Soviet machinery supplied for development projects. The Soviets demanded detailed requisitions but the Algerians, because of bureaucratic inefficiency, were unable to supply specific information.

Meanwhile, the second round of French-Algerian commercial talks, which opened in Paris on 3 December, were broken off at the end of last week, largely over the issue of wine purchases. France refused to agree to the long-term purchase commitment demanded by Algeria, although it was willing to continue buying Algerian wine at the rate of 3.6 million hectoliters annually. This is about half the quantity called for under an earlier purchase. The Algerians were not prepared to discuss the question of indemnification for certain nationalized French properties or the transfer of blocked funds. [REDACTED]

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South Korea - West Germany: The issue of the abduction from West Germany last year of South Koreans alleged to be North Korean agents once again threatens relations between Seoul and Bonn.

The West German ambassador was recalled after a lower court in Seoul on 5 December reaffirmed the death penalty for two of the abducted South Koreans and long prison terms for others despite a recent South Korean Supreme Court ruling that the heavy sentences were unwarranted. Bonn heretofore has pursued a moderate approach to securing the group's release in the belief that the abducted men would ultimately be treated leniently.

The German authorities now apparently see themselves vulnerable to growing public charges of failing to stand up to Seoul. A senior member of the German Embassy in Seoul fears that Bonn may well adopt a more tight-fisted attitude on economic aid to South Korea, although a diplomatic break seems unlikely.

Seoul's temper also appears to be growing shorter. President Pak Chong-hui has indicated that he will not be intimidated by threats of worsened relations. The prime minister also is taking a harder line, claiming that the Germans have mishandled the whole issue and have made no effort to understand the gravity of the security situation in Korea. Recent German demonstrations against Seoul's embassy in Bonn are likely to make the South Koreans even more intransigent.

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Okinawa: Radical elements could spark a violent incident at a demonstration against the presence of US B-52s scheduled for today in the vicinity of the US base at Kadena. The rally has broad appeal and could attract a turnout of perhaps several thousands. Broad opposition to the B-52s since their deployment to Okinawa early this year was inflamed by the crash of one of the bombers in mid-November.

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